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## Home prices up as supply drops

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Tron Von Tran earns a living helping clients buy homes, but the Honolulu real-estate agent struggled to become a first-time homeowner himself as median prices soared last month to \$610,000 for single-family homes and \$265,000 for condominiums on O'ahu.

"The market is tough right now for buyers," the 30-year-old Tran said. "I came close to stopping (my search), but I had to keep going. Prices are going higher and higher."

Prices were up a little more than 35 percent in May from a year earlier. But as prices climbed, the number of homes and condos for sale dropped, creating the first monthly decline in both single-family home and condo units sold since July 1997, according to the Honolulu Board of Realtors.

That decline doesn't reflect any softening in demand, just a lack of inventory, according to Herb Conley, co-managing director of Coldwell Banker Pacific Properties.

Tran said he made 17 unsuccessful offers seeking a condo priced under \$300,000 over the past two months. In one case, he offered \$50,000 over the asking price and still lost out.

"I called the Realtor and he said he received 32 offers," Tran said.

Last week, Tran triumphed after accepting a seller's counteroffer that was \$10,000 above Tran's bid on a one-bedroom condo near Thomas Square below Punchbowl. Still, Tran could lose the sale if the unit is appraised for less than the purchase price and he isn't able to make up the difference in cash.

Tran's ordeal illustrates how competition for fewer homes on the market can keep pushing prices higher to levels some observers find hard to imagine.

"There's going to be continuing pressure on prices to increase with demand the way it has been," Conley said. "It's the supply side that's driving the prices up at the moment, because the demand is still strong."

In mid-May, there were 854 single-family homes on the market, 10 fewer than in May 2004, according to the Honolulu Board of Realtors. Condo inventory dropped more dramatically, to 935 in mid-May from 1,203 a year earlier.

Cherie Tsukamoto, an agent with East Oahu Realty, said some people who want to sell are discouraged because they see few options to buy something else.

"It's sort of a chain effect: You don't want to sell without buying, but there's nothing to buy," she said.

Tsukamoto also believes prices may be getting so high that the pool of buyers who can afford homes on O'ahu is dwindling. In Hawai'i Kai, for instance, the median price for single-family homes on the market is now \$945,000, meaning half the inventory is priced higher and half lower.

"Isn't that ridiculous?" Tsukamoto said. "There just is very little inventory to sell, and prices



This house for sale at 911 Ho'okipa Way in Kaimuki is listed at \$610,000, the median price in May for a single-family home.

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have gotten so high that perhaps we're getting to a point that it is unsustainable. I don't know."

Conley said he wouldn't be surprised if O'ahu's median single-family home price reached \$650,000 by the end of the year, and that he expects the number of sales to rebound in the next couple of months based on sales in escrow.

For the first five months of the year, single-family home sales are up 0.6 percent over the same five months last year. Condo sales are up 6.9 percent for the same period.

For May there were 366 single-family home sales, down 9.6 percent from 405 a year earlier. Condo sales totaled 692 last month, down 2.8 percent from 712 a year earlier.

The single-family home median price was \$610,000 last month, compared with \$445,000 a year earlier and \$545,000 in April.

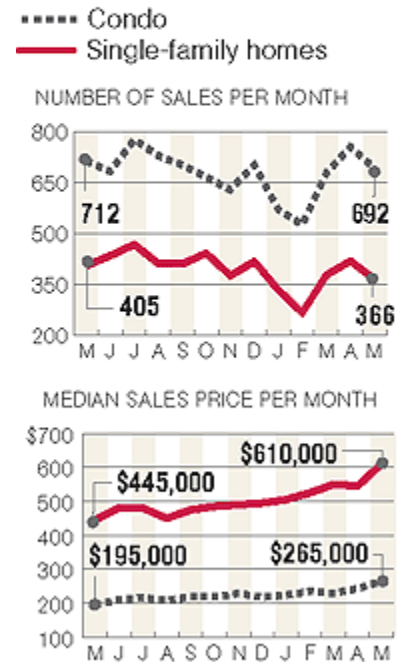
The condo median price was \$265,000 last month, compared with \$195,000 a year earlier and \$243,000 in April.

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[Back](#)

## O'AHU HOME SALES, MAY 2004 - MAY 2005

As median prices soared, inventory fell, leading to a decline in single-family home and condo sales.



Source: Honolulu Board of Realtors  
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